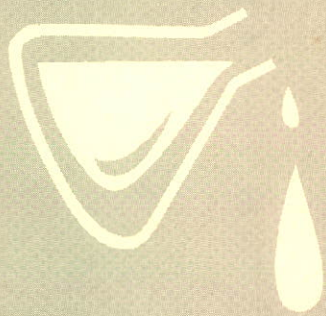
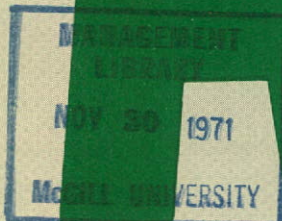




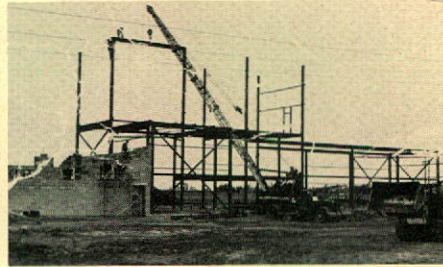
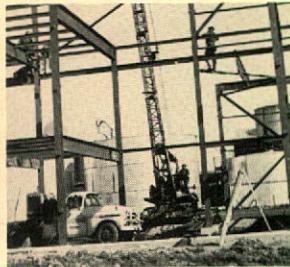
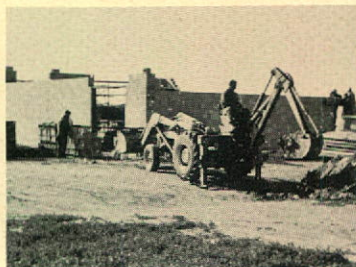
# ACRA



FIFTH ANNUAL REPORT '68







*... New refinery buildings begin to take shape*

## HIGHLIGHTS OF THE YEAR

- The fiscal year ending July 31, 1968 marked the fourth consecutive year of improvement in earnings record of the company.
- Net Earnings climbed to \$182,155, an increase of 10% over earnings of previous year.
- Working capital more than doubled.
- The Company's first dividend (5c per share) was declared and paid.
- Construction of the second major phase of our plant, the edible oil refinery was begun, and is proceeding on schedule.
- Indications are that the total cost of the refinery will be well within the original estimate of \$1,250,000.00.
- Financing for the refinery has been virtually completed, as follows:
  - a) Loan documents for an additional \$700,000.00 loan from SEDCO have been executed.
  - b) A firm commitment from The Federal Government for an Area Development Grant of up to \$300,000.00 is in hand.
  - c) Sale of our current issue of 125,000 company shares at \$2.00 per share has now been completed.



*Rapeseed "as high as an elephant's eye!", growing in a field near our plant in Nipawin.*

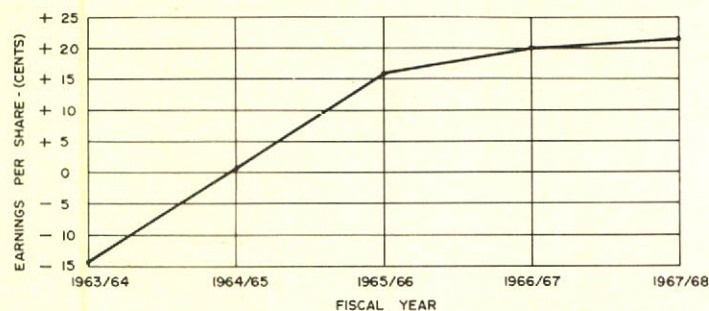


## FIVE YEAR REVIEW

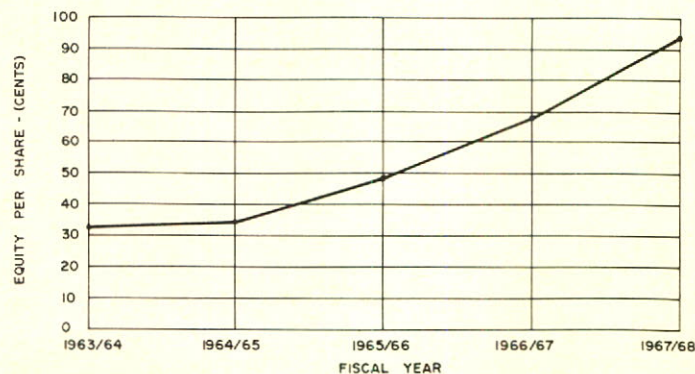
|                                | 1963/4       | 1964/5       | 1965/6       | 1966/7      | 1967/8      |
|--------------------------------|--------------|--------------|--------------|-------------|-------------|
| Net earnings .....             | \$ (105,258) | \$ 1,878     | \$ 132,388   | \$ 165,433  | \$ 182,155  |
| Working capital .....          | \$ (157,423) | \$ (153,680) | \$ (134,067) | \$ 129,035  | \$ 291,802  |
| Total assets .....             | \$1,113,583  | \$1,283,676  | \$1,403,724  | \$1,375,784 | \$1,589,671 |
| Shareholders' equity .....     | \$ 221,375   | \$ 273,403   | \$ 405,791   | \$ 571,224  | \$ 839,650  |
| Net earnings per share .....   | (14.4c)      | 0.2c         | 15.9c        | 19.9c       | *21.9c      |
| Equity per share .....         | 30.3c        | 32.9c        | 48.8c        | 68.7c       | 91.8c       |
| Dividends paid per share ..... | —            | —            | —            | —           | 5.0c        |

\*Calculated on the basis of 831,296 shares as proceeds of shares issued during the year were applied to assets still under construction and not yet in production.

GRAPH OF NET EARNINGS PER SHARE FOR LAST FIVE YEARS



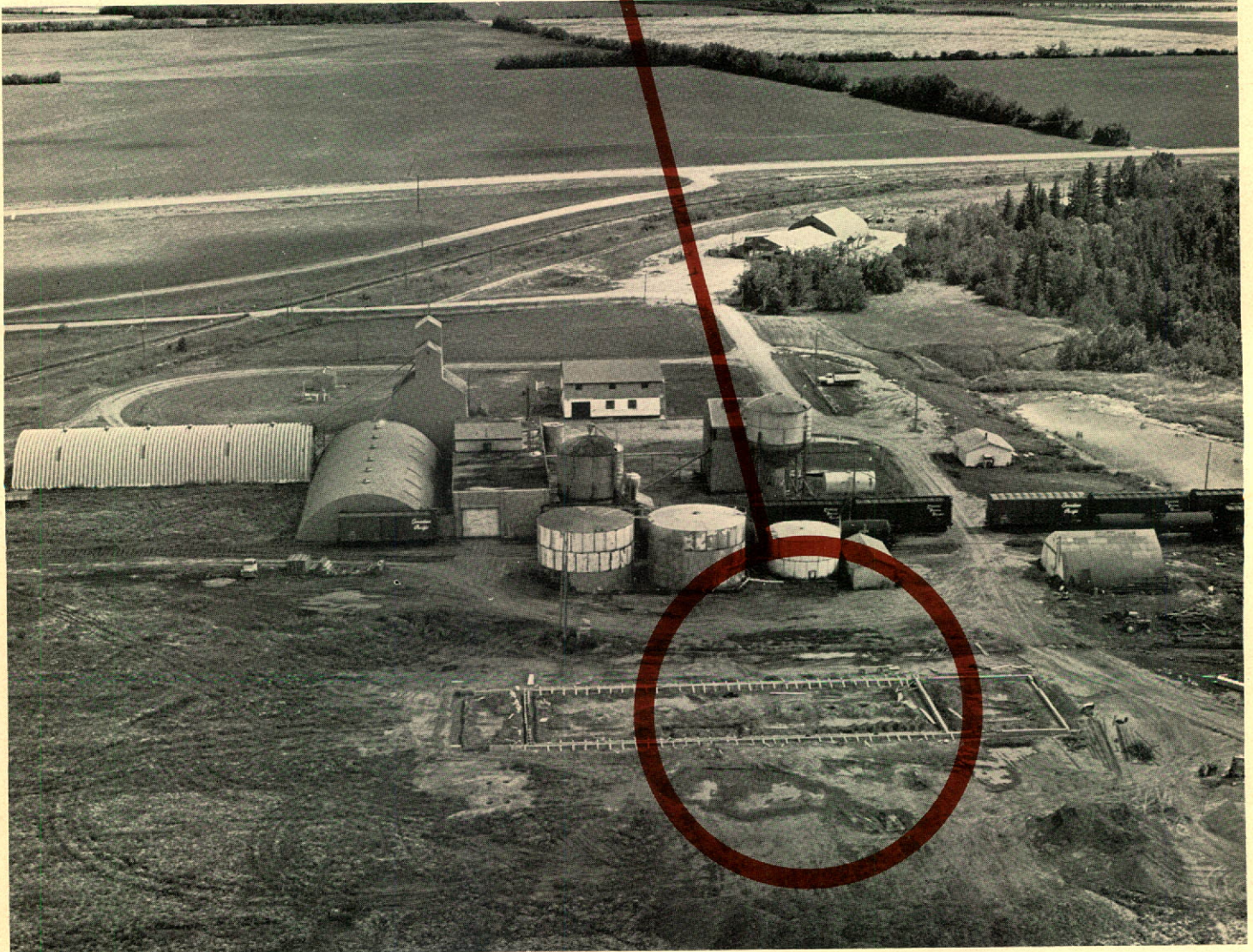
GRAPH OF EQUITY PER SHARE FOR LAST FIVE YEARS





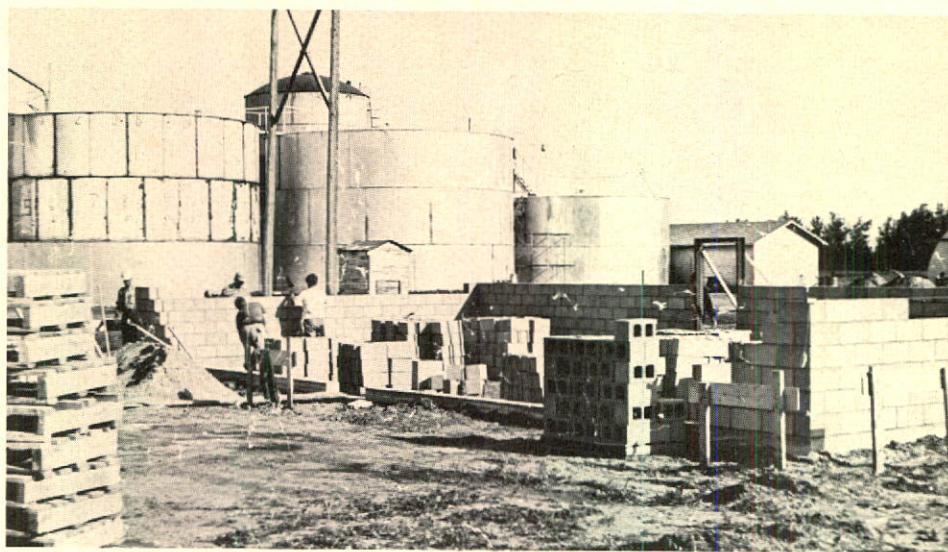
○ Site of our new refinery presently under construction.

*Aerial view of Agra plant, near Nipawin, Sask.*





*Block laying for new boiler room to service the refinery.*



## **TO THE SHAREHOLDERS**

For the fiscal year 1967-68, your Company has established new earnings and growth records for the fourth consecutive year, or since our first year of operations. This was accomplished in spite of a reduction in sales volume, and is due to improved productivity in our plant, and other circumstances which will be described later in this report.

### **FINANCIAL:**

Our net income for the fiscal year 1967-68 climbed to \$182,155.00 which is an increase of 10 percent over the previous year. This is equivalent to 21.9 cents per share, as compared to 19.9 cents in 1966-67 and 15.9 cents in 1965-66. The steady earnings of your Company have enabled us to improve our working capital position substantially. For example, operations contributed \$225,429.00 to the current funds of the Company in the past year. Our working capital position improved from a minus position of \$134,067.00 as at July 31, 1966 to a plus position of \$291,802.00 as at July 31, 1968. Lower interest charges in the past year reflect our ability to operate with less borrowed funds than were previously necessary.

Our steady growth is further reflected in each shareholder's equity in the book value of the Company. This now amounts to 91.8 cents per share, which compares with 68.7 cents per share last year and 33.0 cents after our first year of operations.

The first dividend in the history of the Company was declared and paid out during the past year. This dividend amounted to 5 cents per share.

Past earnings have attracted very little income tax. This has been due partly to the sizeable loss during our first year of operation which has been offset against subsequent profits. It has also been due to the tax saving which has resulted from our policy of claiming capital cost allowances for tax purposes in excess of actual depreciation recorded in our books. The tax saving which has been accumulated in past years due to our treatment of capital cost allowances now totals \$147,736.00. This amount has been set aside from unallocated earned surplus to apply against future tax charges which would be incurred when depreciation expense exceeds capital cost allowances.

### **PRODUCTION AND SALES :**

In spite of a 26% drop in value of sales and an 11% drop in volume of physical output compared with last year, our earnings actually increased by 10%. This was achieved due to improved productivity in our plant as well as due to other circumstances described below.

Three developments materially aided the performance of your company in the second half of the past fiscal year.



1. The Federal Government placed a duty of 10% on foreign rapeseed oil entering Canada. This duty became effective as of January 1, 1968, and places rapeseed oil on the same basis as other edible oils.
2. The price of rapeseed declined materially in the second half of our year, and while the products of rapeseed also declined in value, the rate of decline in product value was slower than the decline in the seed costs.
3. Western Oil Crushers obtained a substantial reduction in freight rates on jumbo cars of oil moving to Toronto and Montreal.

Freight rates continue to be an area of concern to your management. Even with the recent reductions in rates on oil, it still costs much more to ship rapeseed products to Eastern Canada than it does to ship the seed itself. As long as this situation exists, Western Crushers remain vulnerable to competition from processors in Eastern Canada and in other countries.

The case for more equitable freight rates has been presented to the Prairie Economic Council, which consists of the Premiers of the three Prairie Provinces. Their response was most encouraging, and they have pledged their full support and assistance in our efforts to obtain better freight rates. Furthermore, the declared interest of the Federal Government in regional development, together with their new National Transportation Act, which aims to eliminate inequities such as we are suffering, should result in co-operation from the federal level as well in our efforts to reduce freight rates. We therefore fully expect to be able to report material progress in this regard within the next year.

Our oil and meal is sold through brokerage firms who specialize in such commodities. These firms provide good service at low cost and we appreciate very much their efforts on our behalf. They have contributed considerably to the profitability of our operations.

Our own employees have also worked hard and faithfully during the past year. Most of our staff is now well experienced, and even though the average hourly earnings of our employees have increased by more than 30% in the past three years, the cost of labor per unit of production has remained constant. This is the type of productivity improvement on which so much emphasis is placed these days. Our Company employees can take pride in their performance.

Our crushing plant continues to operate well, and has been maintained in good condition. To prepare for an expected increase in throughput when the refinery addition becomes operational, we have installed an additional expeller unit as standby equipment. This addition should contribute to a further increase in our productivity during the coming year.

#### **RAPSEED PURCHASES:**

The 1967 crop of rapeseed was of excellent quality. While acreage in the Prairies declined slightly, yield improved and total production remained constant. Some export marketing difficulties caused a cutback in acreage sown to rapeseed this spring. However, in spite of the recent bad weather which has slowed down the harvest, there should again be adequate supplies for the coming year.

A feature of the past year was the extent to which rapeseed producers subscribed for our new issue of common shares. As a result, the Company will have approximately 400 shareholders who are also rapeseed producers. We believe it is most desirable to have shareholders who are also rapeseed producers, since they have an opportunity to share in the earnings generated from processing their products. This situation should provide an element of stability into rapeseed production available to our plant, and consequently, shareholder producers will be given preference with respect to the buying policies of the Company.

#### **PRODUCT DEVELOPMENT:**

The Company is participating in a research project which is sponsored jointly by the Rapeseed Association of Canada and the Federal Department of Industry. This project is directed towards a comprehensive analysis of the products of rapeseed, with a view to expanding the markets presently enjoyed by these products. It is a pleasure also to acknowledge the fine work which is being done by the research personnel of the Department of Agriculture and the National Research Council to improve rapeseed and its products. We are, of course, most interested in this work and will do everything we can to assist and encourage it.

#### **REFINERY PROJECT:**

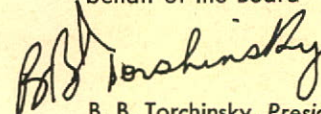
The Company has commenced construction of the edible oil refining plant announced in last year's Annual Report to the Shareholders. The refinery building is nearing completion and installation of equipment is proceeding on schedule. Start-up of production is estimated to take place early in 1969.

All major items of equipment have now been ordered. Equipment costs have not exceeded our estimates, so that the cost of the project should be well within the expected sum of \$1,250,000.00. Financing of our expansion program is well in hand. A loan of \$700,000.00 has been secured from the Saskatchewan Economic Development Corporation. Our project has been officially approved as eligible for a grant of up to \$300,000.00 from the Area Development Agency of the Federal Department of Industry. Payment of this grant will begin when the new plant commences production, and will be completed two years later. The balance of financing has now been raised by the sale of 125,000 shares of company stock at \$2.00 per share. This sale has been successfully completed.

#### **OUTLOOK:**

Prospects for continued progress in the coming year are very good. We look forward to a substantial increase in total volume of seed processed. This is expected due to an increased demand for our crude oil and meal, as well as due to a start in the operation of our refinery. The increased volume should result in a marked increase in our profits, since we expect our overhead and operating costs will increase only slightly for the considerable increase in business volume. We therefore look forward to the future with great optimism.

Respectfully submitted on  
behalf of the Board



B. B. Torchinsky, President

September 30th, 1968.



## AGRA VEGETABLE

BALANCE SHEET

JULY 31,

(With Comparative Figures)

## ASSETS

|                                                       | 1968               | 1967               |
|-------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT ASSETS:</b>                                |                    |                    |
| Cash on hand .....                                    | \$ 709             | \$ 68              |
| Accounts receivable ..... \$482,945                   |                    |                    |
| Less allowance for doubtful accounts ..... 2,788      | 480,157            | 253,992            |
| Inventories, at the lower of cost or market:          |                    |                    |
| Rapeseed .....                                        | 71,903             | 158,841            |
| Rapeseed oil and meal .....                           | 140,471            | 130,620            |
| Plant supplies and other .....                        | 2,765              | 5,907              |
| Deposits on rapeseed for future delivery—Note 6 ..... | 23,657             | 23,114             |
| Prepaid expenses .....                                | 3,175              | 2,912              |
| Hedging deposits .....                                | 9,650              | 28,509             |
| Corporation special refundable tax .....              | 7,136              | 6,632              |
| <b>TOTAL CURRENT ASSETS</b>                           | <b>\$739,623</b>   | <b>\$610,595</b>   |
| <b>FIXED ASSETS, at cost:</b>                         |                    |                    |
| Land .....                                            | \$ 3,571           | \$ 3,571           |
| Refinery project costs to date—Note 5 .....           | 97,064             | —                  |
| Other buildings .....                                 | 176,678            | 170,752            |
| Other machinery and equipment .....                   | 657,381            | 636,411            |
|                                                       | \$934,694          | \$810,734          |
| Less accumulated depreciation .....                   | 123,949            | 84,848             |
| <b>TOTAL FIXED ASSETS</b>                             | <b>\$810,745</b>   | <b>\$725,886</b>   |
| <b>ORGANIZATION EXPENSE</b>                           | <b>\$ 39,303</b>   | <b>\$ 39,303</b>   |
|                                                       | <b>\$1,589,671</b> | <b>\$1,375,784</b> |

APPROVED ON BEHALF OF  
B. B. TORCHINSKY, President



# OIL PRODUCTS LTD.

HEET

968

as at July 31, 1967)

## LIABILITIES AND SHAREHOLDERS' EQUITY

|                                                                    | 1968               | 1967               |
|--------------------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT LIABILITIES:</b>                                        |                    |                    |
| Bank loans and overdrafts—Note 4 .....                             | \$ 261,384         | \$ 116,787         |
| Trade accounts payable .....                                       | 151,090            | 173,888            |
| Income taxes payable .....                                         | 12,764             | —                  |
| Saskatchewan Economic Development Corp.—Note 4                     |                    |                    |
| Working capital loan and accrued interest .....                    | 1,783              | 150,892            |
| Portion of mortgage loans due within one year .....                | 20,800             | 39,993             |
| <b>TOTAL CURRENT LIABILITIES</b>                                   | <b>\$ 447,821</b>  | <b>\$ 481,560</b>  |
| <b>LONG-TERM LIABILITIES:</b>                                      |                    |                    |
| Saskatchewan Economic Development Corporation:                     |                    |                    |
| 6½% mortgage loan—Notes 2 and 4 .....                              | \$ 63,750          |                    |
| Less portion payable within one year .....                         | 7,500              | \$ 323,000         |
| 8% mortgage loan—Notes 3 and 4 .....                               | \$259,250          |                    |
| Less portion payable within one year .....                         | 13,300             | —                  |
| <b>TOTAL LONG-TERM LIABILITIES</b>                                 | <b>\$ 302,200</b>  | <b>\$ 323,000</b>  |
| <b>SHAREHOLDERS' EQUITY:</b>                                       |                    |                    |
| Share capital:                                                     |                    |                    |
| Authorized — 3,000,000 common shares without nominal or par value. |                    |                    |
| Issued and fully paid — 881,531 shares of which                    |                    |                    |
| 50,235 were issued for cash during 1968 .....                      | \$536,679          | \$ 436,209         |
| Received for 19,242 shares subscribed but not issued .....         | 30,452             |                    |
| Less commissions on shares sold .....                              | 23,157             | 20,071             |
|                                                                    | <b>\$ 543,974</b>  | <b>\$ 416,138</b>  |
| Earned Surplus:                                                    |                    |                    |
| Allocated to apply to future income taxes—Note 1 .....             | \$147,736          | 69,707             |
| Unallocated earnings—Statement B .....                             | 147,940            | 85,379             |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                  | <b>\$ 839,650</b>  | <b>\$ 571,224</b>  |
|                                                                    | <b>\$1,589,671</b> | <b>\$1,375,784</b> |

THE BOARD OF DIRECTORS

D. H. C. BEACH, Secretary



## STATEMENT OF UNALLOCATED EARNED SURPLUS

For the year ended July 31, 1968

(With comparative figures for the preceding year)

|                                                                                                                                                                           | 1968             | 1967             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Unallocated surplus at the beginning of the year .....                                                                                                                    | \$ 85,379        | \$(10,347)       |
| Add net profit for the year—Statement C .....                                                                                                                             | 182,155          | 165,433          |
|                                                                                                                                                                           | <u>\$267,534</u> | <u>\$155,086</u> |
| Less dividend declared .....                                                                                                                                              | 41,565           | —                |
|                                                                                                                                                                           | <u>\$225,969</u> | <u>\$155,086</u> |
| Less allocation of surplus to cover future income tax charges arising<br>from policy of claiming capital cost allowance in excess of<br>depreciation expense—Note 1 ..... | 78,029           | 69,707           |
| Unallocated surplus at the end of the year—to Statement A .....                                                                                                           | <u>\$147,940</u> | <u>\$ 85,379</u> |

## STATEMENT C

## AGRA VEGETABLE OIL PRODUCTS LTD.

## STATEMENT OF EARNINGS

For the year ended July 31, 1968

(With comparative figures for the preceding year)

|                                                                          | 1968               | 1967               |
|--------------------------------------------------------------------------|--------------------|--------------------|
| NET REVENUE FROM SALE OF PRODUCTS .....                                  | \$2,873,024        | \$3,887,578        |
| EXPENSES:                                                                |                    |                    |
| Cost of rapeseed and cash production costs .....                         | \$2,542,850        | \$3,570,481        |
| Depreciation charged during the year .....                               | 43,273             | 43,079             |
| Interest and bank charges .....                                          | 38,900             | 51,145             |
| Directors' fees and expenses .....                                       | 1,868              | 767                |
| Other administrative costs .....                                         | 62,811             | 75,207             |
| TOTAL EXPENSES .....                                                     | <u>\$2,689,702</u> | <u>\$3,740,679</u> |
| PROFIT ON CRUSHING OPERATIONS .....                                      | \$ 183,322         | \$ 146,899         |
| OTHER INCOME .....                                                       | 11,597             | 18,534             |
| PROFIT BEFORE INCOME TAXES .....                                         | <u>\$ 194,919</u>  | <u>\$ 165,433</u>  |
| PROVISION FOR INCOME TAXES PAYABLE WITHIN<br>THE NEXT CURRENT YEAR ..... | 12,764             | —                  |
| NET PROFIT FOR THE YEAR—to Statement B .....                             | <u>\$ 182,155</u>  | <u>\$ 165,433</u>  |



## STATEMENT OF FUNDS

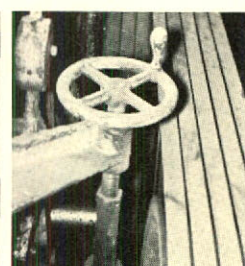
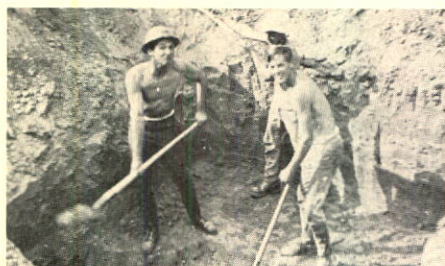
For the year ended July 31, 1968  
(With comparative figures for the preceding year)

|                                                    | 1968              | 1967              |
|----------------------------------------------------|-------------------|-------------------|
| <b>FUNDS PROVIDED BY:</b>                          |                   |                   |
| Operations (net profit plus depreciation) .....    | \$ 225,429        | \$ 208,511        |
| Sale of equipment .....                            | 6,025             | 135               |
| Sale of shares .....                               | 127,836           | —                 |
| Renegotiation of mortgage loans—Note 3 .....       | 19,193            | 91,504            |
| <b>TOTAL FUNDS PROVIDED</b>                        | <b>\$ 378,483</b> | <b>\$ 300,150</b> |
| <b>FUNDS APPLIED TO:</b>                           |                   |                   |
| Refinery project .....                             | \$ 97,064         | \$ —              |
| Purchase of other fixed assets .....               | 37,094            | 11,785            |
| Payments on mortgage loans .....                   | 39,993            | 25,263            |
| Payment of dividend .....                          | 41,565            | —                 |
| <b>TOTAL FUNDS APPLIED</b>                         | <b>\$ 215,716</b> | <b>\$ 37,048</b>  |
| <b>NET INCREASE IN WORKING CAPITAL FUNDS</b> ..... | <b>\$ 162,767</b> | <b>\$ 263,102</b> |
| <b>FUNDS AVAILABLE AT BEGINNING OF YEAR</b> .....  | <b>129,035</b>    | <b>(134,067)</b>  |
| <b>WORKING CAPITAL FUNDS AT END OF YEAR</b> .....  | <b>\$ 291,802</b> | <b>\$ 129,035</b> |
| <b>REPRESENTED BY:</b>                             |                   |                   |
| Current assets .....                               | \$ 739,623        | \$ 610,595        |
| Less current liabilities .....                     | 447,821           | 481,560           |
|                                                    | <b>\$ 291,802</b> | <b>\$ 129,035</b> |



## NOTES TO FINANCIAL STATEMENTS JULY 31, 1968

1. In the Statement of Unallocated Earned Surplus—Statement B, the Company indicates that it has allocated \$78,029 in the current year and \$69,707 in the previous year to cover future income taxes arising from its policy of claiming capital cost allowances in excess of depreciation expense. No allocation was actually made in the accounts of the previous year, but the tax saving resulting from this policy was disclosed in Note 3 to the Financial Statements of last year. For comparative purposes, it was deemed that the total of \$147,736 now allocated should be applied in the financial statements to the year in which the tax saving took place.
2. Under the terms of an agreement dated October 25, 1962, and reaffirmed on January 1, 1967 for a loan of \$75,000, the Saskatchewan Economic Development Corporation has been given an option to purchase common shares of the Company in full satisfaction of that part of the principal sum and interest that may be outstanding and unpaid at the date of such election. In the event of such election, the purchase price is to be \$1.00 per share, less 15% commission.
3. On August 8, 1968, the Company entered into a mortgage loan agreement with the Saskatchewan Economic Development Corporation for the provision of funds totalling \$990,000, and bearing interest at the rate of 8% per year. \$700,000 is to be used in the financing of the construction of an edible oil refining plant, and the balance is to be used to provide working capital and to refinance the mortgage loans previously outstanding other than the loan for \$75,000 described in Note 2.
4. The Saskatchewan Economic Development Corporation has as security for its loans a general assignment of book debts together with a debenture secured by a floating charge on all assets of the Company and mortgages on all chattels and fixed assets. The terms of the loans also restrict the payment of dividends, unless authorized by the Saskatchewan Economic Development Corporation, until such time as the loans are repaid in full. The general assignment of book debts along with the floating charge against inventories has been postponed in favor of the Royal Bank of Canada for a working capital loan.
5. The Company has begun construction of an edible oil refining plant at Nipawin, Saskatchewan, which it is estimated will cost \$1,250,000. To finance this project, application has been made to the Area Development Agency of the federal Government for a grant approximating \$300,000, the Saskatchewan Economic Development Corporation will provide \$700,000 through a mortgage loan, and \$250,000 is to be raised through the issue of 125,000 common shares of the Company at \$2.00 each.
6. The Company has instituted legal proceedings to recover \$18,876 shown on the Balance Sheet as "Deposits on Rapeseed for future Delivery." Various examinations for discovery have been completed to date.



## AUDITOR'S REPORT

To the Shareholders of  
Agra Vegetable Oil Products Ltd.

We have examined the balance sheet of Agra Vegetable Oil Products Ltd., as at July 31, 1968 and the statements of unallocated earned surplus, earnings and funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have obtained all the information and explanations we have required.

In our opinion and according to the best of our information

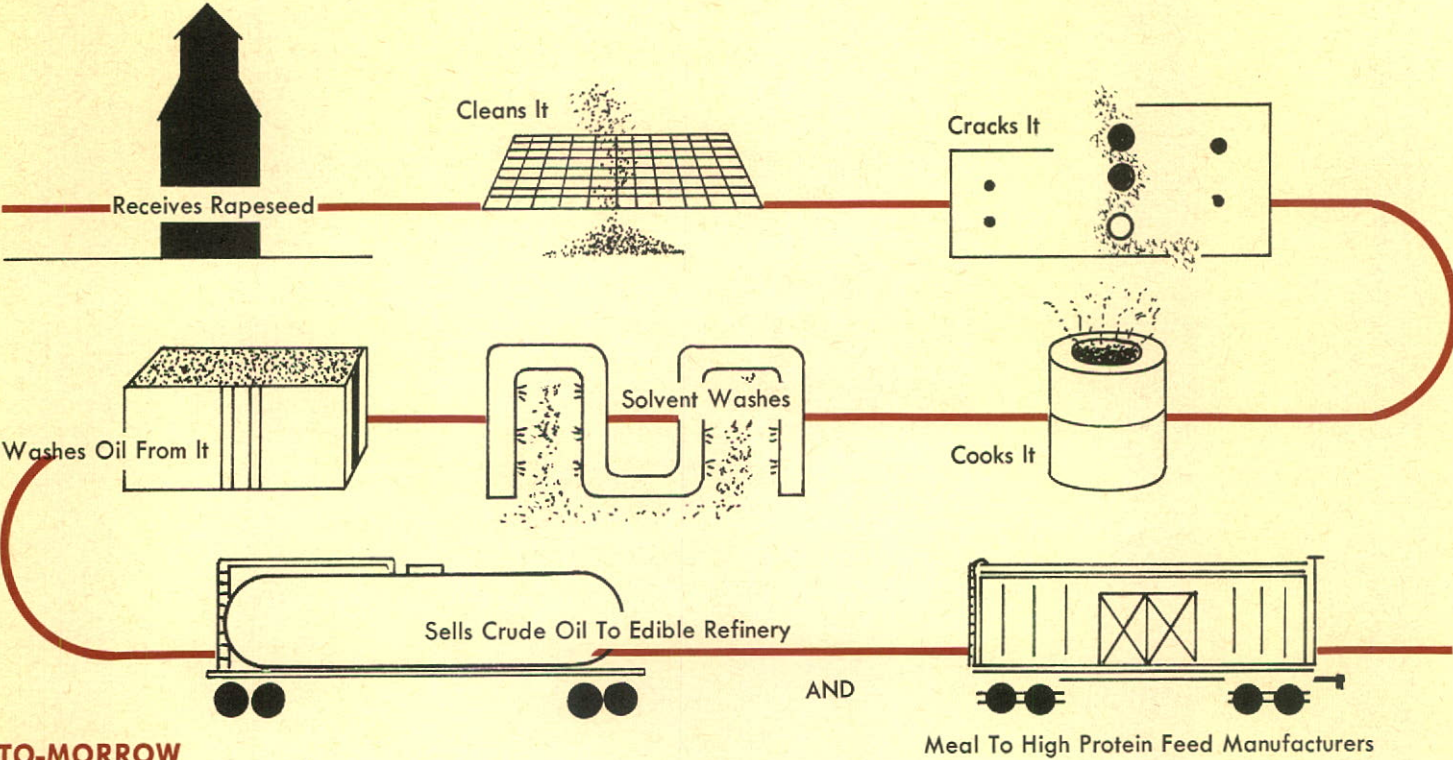
and the explanations given to us, and as shown by the books of the Company, the accompanying balance sheet and statements of unallocated earned surplus, earnings and funds are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at July 31, 1968, and the results of its operations and the source and application of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Melfort, Saskatchewan.  
October 4, 1968

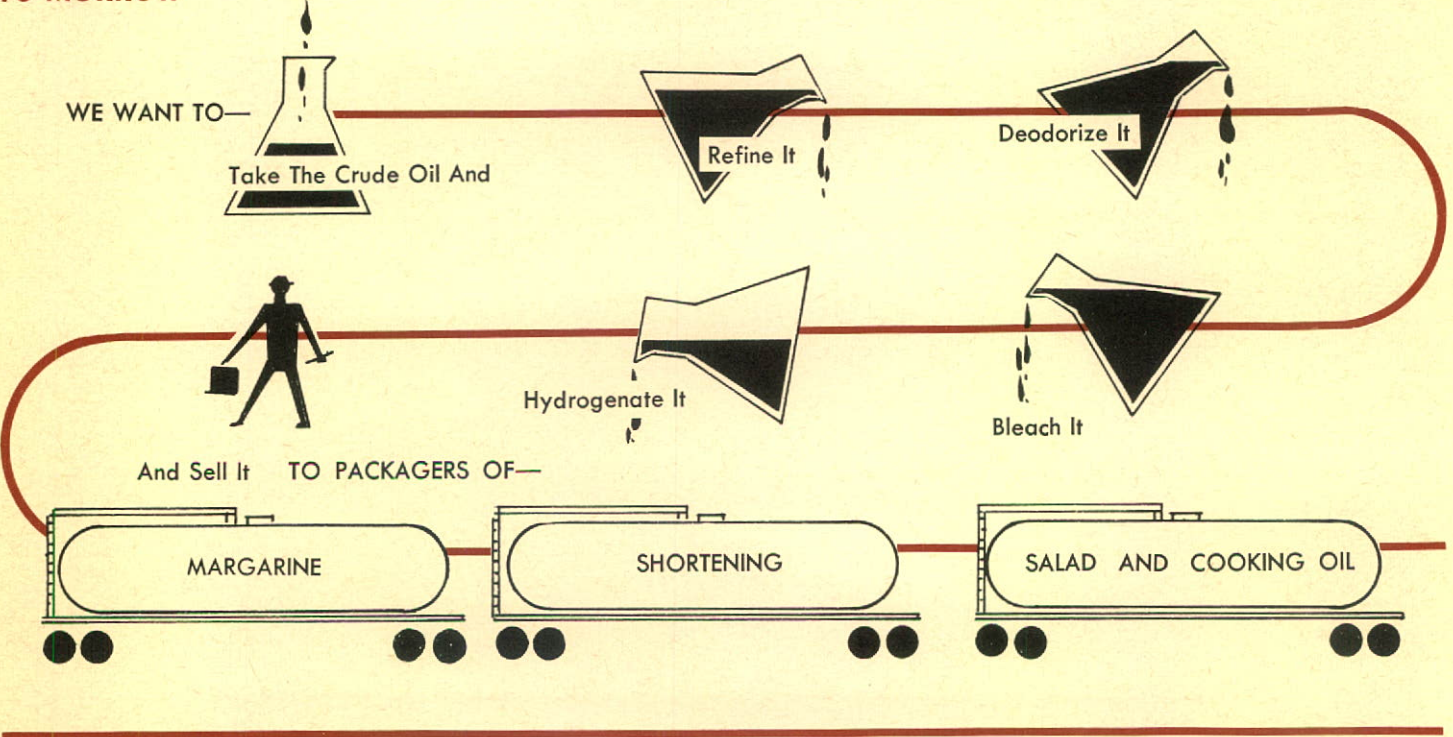
Hamilton, George, Taylor, Golumbia & Co.,  
Chartered Accountants.



AGRA NOW



TO-MORROW





### **OFFICERS**

B. B. TORCHINSKY: President

CLEM ROLES: Vice-President

DEXTER H. C. BEACH: Secretary

GERHARDT W. NEUMANN: Treasurer



### **DIRECTORS**

1. HARVEY L. STEPHENS  
General Manager, Saskatchewan Economic  
Development Corporation Ltd., Regina
2. NORMAN STACEY  
Farmer (Elite Grower), Nipawin
3. DEXTER H. C. BEACH, B.E., M.Sc., P.Eng.  
Plant Manager of Agra, Nipawin
4. B. B. TORCHINSKY, B.Sc., M.Sc., P.Eng.  
President, Western Caissons Limited, Montreal
5. CLEM ROLES, B.Sc., P.Eng.  
President of Smith-Roles Ltd., Saskatoon
6. LEO NILE NICHOLSON  
Owner, Nicholson Real Estate, Nipawin
7. G. W. NEUMANN, B.Comm., C.A.  
General Manager of Agra, Nipawin

### **AUDITORS OF THE COMPANY**

Hamilton, George, Taylor, Golumbia & Co.,  
402 Main Street,  
Melfort, Saskatchewan

### **REGISTRAR AND TRANSFER AGENT**

The Canada Permanent Trust Company,  
Saskatoon, Saskatchewan

**AGRA VEGETABLE OIL PRODUCTS LTD.**

**P.O. BOX 580, NIPAWIN, SASK.**

**Telephone: (A.C. 306) 862-3413**

**Telex No.: 034-29139**







